

**LAO COMPETITIVENESS AND TRADE PROJECT
ADDITIONAL FINANCING (P176856)**

**ENVIRONMENTAL AND SOCIAL ACTION PLAN (ESAP)
APPRAISAL DRAFT FOR COMMENTS**

MINISTRY OF INDUSTRY AND COMMERCE (MoIC)

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I. Background

- 1. Following the approval of the COVID-19 waiver for additional financing (AF), the AF Project will support the recovery of the private sector** and government business continuity activities outlined in Table 1. The waiver was approved by World Bank management on (April 19 2021). This covers: (i) the Environmental and Social Framework (the Vision for Sustainable Development, World Bank Environmental and Social Policy for Investment Project Financing and the Environmental and Social Standards); (ii) the Environmental and Social Directive for Investment Project Financing; and (iii) the Directive on Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups. This request is submitted pursuant to Bank Policy, "Operational Policy Waivers", and Bank Procedure, "Operational Policy Waivers and Waivers of Other Operational Requirements".
2. In accordance to the Bank Procedure for such a situation (OPS5.03-PROC.189), a time bound Environmental and Social Action Plan (ESAP) is required. ESAP describes the actions necessary to implement the various sets of mitigation measures or corrective actions to be undertaken; prioritize these actions; include the timeline for implementation. For example, the pandemic is also likely to exacerbate pre-existing factors of fragility and exclusion, aggravate existing gender inequalities, and increase risks of gender-based violence (GBV). Globally, the impact of the COVID-19 crisis is not gender neutral. To ensure that there is adequate and timely attention to social effects of planned AF activities, and to a lesser extent any environmental risks that may materialize, the counterpart and the Bank have agreed upon this ESAP. The ESAP is a 'live' document which needs to evolve with the Project. The Project Implementation Unit will regularly review and update as required the ESAP to ensure it reflects any changes in the project implementation and organization.
- 3. The proposed AF for the Project is in line with the World Bank Group COVID-19 Crisis Response Approach Paper: "Saving Lives, Scaling-up Impact and Getting Back on Track"**. In the next 18 to 24 months, the proposed AF aims to alleviate the COVID-19 impact on firms and support their sustainable and resilient recovery, as well as strengthen the Government of Lao PDR (GoL) core institutions and capacity to provide key business services in a safe and inclusive manner by *inter alia* leveraging ICT solutions. Helping viable firms survive the shock and restructure by facilitating their ability to do business, access international markets for inputs and outputs amid-COVID-19 is central to increase their survival rate and help them maintain and create more of the formal jobs that Laos needs. It will also be central in driving the economic recovery for this landlocked, trade and tourism reliant country.

II. Project description and revised project activities

4. The objective of the LCTP AF project is to simplify business regulations, facilitate trade, and improve firm-level competitiveness. This will be maintained in the AF, but will be focused exclusively on the COVID-19 activities in line with the Government of Lao PDR (GoL) COVID-19 responses.
5. The project comprises four components (called pillars): The parent project aims to achieve its objective through four pillars (equivalent to components): (1) improving the business environment; (2) facilitating trade and connecting to markets; (3) Improving firm-level competitiveness; and (4) Supporting better and more inclusive policies, as briefly described below. The PDO for the parent project is to simplify business regulations, facilitate trade, and improve firm-level competitiveness.

- **Pillar A: Improving the Business Environment.** The objective is to eliminate barriers to business entry and operations in Laos. The three subcomponents are: (a) Making it easier to start a business; (b) Streamlining of and Publishing Operating Licenses; and (c) Supporting Broader Business Reforms.
 - **Pillar B: Facilitating Trade and Connecting to Markets.** The objective is to advance trade facilitation reforms and reduce time, document required and cost of trading across borders. The component has two subcomponents: (a) Support for the National Trade Facilitation Committee and Secretariat; and (b) WTO Trade Facilitation Agreement Challenge Facility
 - **Pillar C: Improving Firm-level Competitiveness – Business Assistance Facility.** The objective of this component is to support individual private enterprises with business development services through a matching grant facility and help them raise their competitiveness.
 - **Pillar D: Supporting Better and More Inclusive Policies.** There are three subcomponents: (a) Project Management and Coordination; (b) Improving Policy Making and Transparency; and (c) Supporting Public-Private Dialogue.
6. The scale-up activities under the AF project fall under the Relief and Resilient Recovery Stages, as outlined in the Approach Paper, and will contribute mainly to Pillar 3: Ensuring Sustainable Business Growth and Job Creation, and Pillar 4: Strengthening Policies, Institutions, and Investments for Rebuilding Better. The AF’s activities will contribute to building back better as both the direct support to firms and the improved provision of business services by the government will help companies enhance their resilience to similar shocks, with special emphasis on women-led firms. The project development objective (PDO) of the AF is the same as the PDO of the parent project, which is “to simplify business regulations, facilitate trade, and improve firm-level competitiveness”. However, the AF is a response to the COVID-19 pandemic and will focus on improving the resilience of primarily those firms directly affected by COVID-19.
 7. The parent project is EA Category C and did not trigger any safeguards. The AF is exclusively for scaling up the activities of the successful parent project, this scaling up will not result in any changes to the project Safeguards. However, the AF is taking precautions in light of the risk of pandemic spread caused unintentionally by project activities. The AF has been designed to improve the following systems of the parent project to identify and treat social risks and to a lesser extent any environmental risks: (i) a multi-layered grievance redress mechanism (GRM), (ii) the communications strategy (to improve inclusive access to project services), (iii) reinforcement of the existing gender infrastructure at central and local levels (to include Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) and potential gender bias issues), and (iv) a code of conduct for labor practices covering staff and consultants. There will be no civil works (and therefore no labor influx issues), no resettlement, no changes in land use, and no expansion of existing facilities footprints.
 8. Consultations with stakeholders on the revised safeguard instruments will be carried out prior to carrying out the additional project activities. Consultations will include local implementing agency offices and especially the private sector, with firms and formal associations of businesses and sectoral groups. During the recent midterm review (February 2021) consultations were already initiated, with discussions focused on how to adapt to an increase in scale as the scaling up AF was launched.

The six safeguards related tools to be used by the AF, building on the parent project to a large extent, include the following:

- (i) a multi-layered grievance redress mechanism (GRM)

- (ii) A special GRM by BAF (Pillar C) to receive complaints and concerns from business operators (those who did not qualify and those who received services but have complaints)
- (iii) a project level communications strategy (to improve inclusive access to project services)
- (iv) A special communications strategy for BAF (Pillar C) with emphasis on women-led and small businesses, including adjustments to templates, marketing materials and work with local business community partners with representative voices
- (v) Reinforcement of the existing gender infrastructure at central and local levels (to include Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) and potential gender bias issues)
- (vi) A code of conduct for labor practices covering staff and consultants. Lao PDR is already a member of the ILO Convention on all nine standards, including forced labor, child labor, night work of young people, a minimum wage and equal remuneration under the law. This code of conduct will be part of the package of information provided by the project implementation unit to inform new staff, new consultants and other laborers working on the project.

Table 1. Additional Activities for COVID-19 Relief Response

Pillar	Scaling up activities to respond to COVID-19 impact	Links to COVID-19 national efforts	Location
A	<ul style="list-style-type: none"> • More on-line service to minimize direct exposure and cross-contamination while reducing time and cost for vulnerable firms to register and obtain licenses. • Rebranding business registration to include social distancing, PPE¹ 	<ul style="list-style-type: none"> • Online business registration service and online license information will reduce face-to-face interactions. • Rebranding of offices will ensure interactions occur in compliance with COVID-19 preventive measures. • 680 women-led firms registered 	National (offices in urban areas, many services provided digitally)
B	<ul style="list-style-type: none"> • Greater use of ICT to limit face-to-face interactions and minimize opportunities for COVID-19 infection, lower time, and cash for cross border trade transactions. • Implement risk management to reduce time and cost of physical inspections of low risk cargo and reduce COVID 19 transmission risk. • Expanding Lao Trade Portal to facilitate access to trade information without office visits or face to face interactions with government officials. 	<ul style="list-style-type: none"> • Enhanced trade facilitation efficiency is tied closely to the government’s own strategy and efforts to stimulate trade related activity during and post COVID 19. 	National (focused on border crossings, with virtual services also provided)
C	<ul style="list-style-type: none"> • More than 1,000 firms will receive general advisory services and 200 additional matching grants to co-finance demand driven specialized technical assistance so that firms in Lao PDR can re-orient their businesses to better meet the changed market realities post-COVID. 	<ul style="list-style-type: none"> • The Lao PDR private sector has been hit very hard by the pandemic. The additional 200 grants will help firms survive the shock, restructure, and hopefully thrive, in the post-COVID marketplace. If firms survive and grow, jobs are preserved and created. 	National (over 60% of firms to date have been in Vientiane Capital, but there is significant outreach by BAF advisors in secondary cities, such as Champasak, Savanakheth and Luang Prabang)
D	<ul style="list-style-type: none"> • Coordination of AF activities with national efforts of the Government, the private sector and civil society to provide relief and recovery from COVID-19 • Project communications strategy focused on COVID-19 prevention, relief and recovery 	<ul style="list-style-type: none"> • Safe and inclusive dissemination in accordance with national and local COVID-19 protocols and measures mandated by competent authorities in target areas • Messaging, dissemination channels, and alliances with local stakeholders to ensure reaching of vulnerable groups. 	This will cover the country, but most activities will be run by the MoIC with coordination with local implementing agency offices

¹ Personal Protective Equipment.

		Special emphasis on innovative, non-verbal dissemination channels including radio, SMS etc., and the use of local languages (including those spoken by indigenous groups if appropriate).	
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III. Environmental and Social Action Plan (ESAP)

Table 2. LCTP AF - Environmental and Social Action Plan (ESAP): Activities and Estimated Timeframe

Additional Activities	Potential E&S Risks and Impacts	Action	Deliverable - Safeguard Instruments/Tools	Responsible Unit/Department	Timetable - Required Completion Date	Status
<p>Pillar 1 Improving the Business Environment</p>	<p>Environment: None</p> <p>Social: There is the risk of exclusion of vulnerable firms and their workers if information on available services, rebranding and COVID-19 precautions related to service delivery are not well communicated.</p>	<p>Launch a revised communications strategy on the business environment processes and services work: including information on: Rebranding, the SEA/SH, and code of conduct for agencies/workers involved in service provision – to improve outreach and inclusion</p>	<ol style="list-style-type: none"> 1. Communications strategy 2. Code of conduct including labor requirements, SEA/SH 3. Posting signs as part of rebranding and including on-line notification of project and national requirements related to SEA/SH avoidance 4. Project level GRM to cover abuses in business registration charges, services 5. Project level gender infrastructure to improve inclusivity 	<p>NIU/DERM</p>	<p>Work is already ongoing; Activities were agreed upon during February 2021 MTR; the work will be iterative, based on evolving effects of COVID-19. Initial consultations will be virtual or in small groups.</p> <p>Work will be in an advanced</p>	<p>Open</p>

					stage by AF effectiveness	
Pillar 2 Facilitating Trade and Connecting to Markets	<p>Environment: None</p> <p>Social: There is the risk of exclusion of smaller firms that import key inputs or export products to regional markets</p>	<p>Pandemic-related Personal protection equipment as required by workers at trade points.</p> <p>Risk-based review of imports to speed important goods to consumers (e.g. food products, health products, medicines)</p>	<ol style="list-style-type: none"> 1. Communications strategy 2. Code of conduct including labor requirements, SEA/SH 3. Project level GRM to cover abuses in business registration charges, services 4. Project level gender infrastructure to improve inclusivity (Gender infrastructure is the set of policies, practices and local focal points responsible in each agency to ensure fair treatment and non-discrimination based on sexual orientation or gender identity and there is equal opportunity to benefit from services) 	NIU/DIMEX/LCD	<p>Work is already ongoing; Activities were agreed upon during February 2021 MTR; the work will be iterative, based on evolving effects of COVID-19. Initial consultations will be virtual or in small groups.</p> <p>Work will be in an advanced stage by AF effectiveness</p>	Open
Pillar 3 Improving Firm-level	<p>Environment: None.</p> <p>Basic due diligence of BAF II grant applicants</p>	The BAF screening system is sector agnostic (its mandate prohibits grants in the	<ol style="list-style-type: none"> 1. BAF II has an exclusion list to ensure that the 	BAF team and NIU	Work is already ongoing;	Open

<p>Competitiveness – Business Assistance Facility</p>	<p>should ensure that the grant facility does not support firms that are contravening environmental and related sustainability laws and regulations in Lao PDR.</p> <p>Social: There is the risk of exclusion of small firms that are not sufficiently informed about the support available due to the application process, the requirements, and the responsibilities involved. However, the BAF II's outreach work seeks to be as inclusive as possible.</p>	<p>extractives, telecoms and banking/finance sector, as well as SOEs), as long as the technical, business, and environmental and social filters are met. If a firm has negative environmental impact issues or risks, it would be rejected under the review system already in place.</p> <p>Simplified templates, improved outreach in local languages when appropriate. will be used</p> <p>Improved code of conduct for labor issues (although complaints from laborers will be handled at project level, Pillar 4 GRM)</p> <p>GRM will be strengthened for easier access, covering complaints from applicant firm operators and/or those who were not satisfied with the services received. The GRM will be clearly indicated on the BAF II website, and in the matching grant contract (LoA).</p>	<p>selected firms have low environmental risks, and that the firms have adequate mitigation measures in place or planned to minimize the potential impact, which takes residual risk to a negligible level.</p> <p>2. BAF II has a specific GRM for business operators which has been functioning adequately but will be further strengthened.</p> <p>3. BAF II's communications strategy will use materials and methods to reach small and/or women-led businesses. Three business advisors on BAF II team are women, making it easier for women business operators to work with BAF II staff.</p>		<p>Activities were agreed upon during February 2021 MTR. The work will be iterative, based on evolving effects of COVID-19. Initial consultations will be virtual or in small groups.</p> <p>Work will be in an advanced stage by AF effectiveness.</p>	
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<p>Pillar 4 Supporting Better and More Inclusive Policies</p>	<p>Environment: None</p> <p>Social: Policies may unintentionally exclude certain groups who would benefit from services (especially private sector firms)</p>	<p>This pillar supports the improve outreach, inclusivity and GRM systems of the pillars above.</p> <p>The NIU coordinates policy dialogue between government agencies and the private sector and is responsible for ensuring that inclusive approaches are taken.</p> <p>The NIU organizes consultative processes and events (with due caution in the times of COVID-19 pandemic)</p> <p>Prepare materials on the project labor code of conduct to inform new staff, new consultants and other laborers in project-supported activities of their rights and the project’s layered grievance redress mechanism</p>	<ol style="list-style-type: none"> 1. Project level GRM (it has been functioning adequately but will be strengthened for outreach and pandemic effects reasons) 2. COVID-19 precautions when required in any event, workshop, or planning session. 3. Labor code of conduct will be included in all project contracts with consultants 4. MoIC staff will be informed regularly of any issues related to project SEA/SH policies and practices, and the labor code of conduct 	<p>NIU/ All IAs</p>	<p>Work is already ongoing; Activities were agreed upon during February 2021 MTR; the work will be iterative, based on evolving effects of COVID-19. Initial consultations will be virtual or in small groups. Work will be in an advanced stage by AF effectiveness</p>	<p>Open</p>
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